

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03 SSO-00

NSCE-00 INRE-00 OPIC-03 /080 W  
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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 7410

C O N F I D E N T I A L CARACAS 0949

E.O. 11652: GDS

TAGS: ENRG, ETRD, VE

SUBJ: ARTHUR D. LITTLE CO. INQUIRY REGARDING VENEZUELAN OIL ROYALTY  
RATES

1. JAMES MONK, JR., CALLED PETATT JANUARY 21 INTRODUCING HIMSELF AS ARTHUR D. LITTLE CO. EMPLOYEE. HE REQUESTED ASSISTANCE IN HIS RESEARCH ON VENEZUELAN ROYALTY RATES CHARGED BY VARIOUS OIL CONCES-  
SIONAIRES. MONK STATED RESEARCH WAS IN CONNECTION WITH STUDY BEING PREPARED FOR VARIOUS ELECTRICAL UTILITY COMPANY CLIENTS OF ARTHUR D. LITTLE CO. WHEN PRESSED, HE SPECIFICALLY NAMED NEW ELGLAND ELECTRI  
ELECTRIC COMPANY AS ONE.

2. CLIENT UTILITY COMPANIES HAVE HAD PRICE INCREASES FROM THEIR OIL SUPPLIERS WHO GAVE AS JUSTIFICATION INCREASED ROYALTY CHARGES TO THE OIL COMPANIES BY VENEZUELA. SPECIFICALLY, STUDY WILL CONCERN 11 API GRAVITY OIL AND WILL COVER PERIOD NOVEMBER 1973 THROUGH 1974.

3. MONK'S RESEARCH APPEARS TO BE WELL ADVANCED AND FROM TELEPHONE CONVERSATION HIS INFORMATION IS HIGHLY ACCURATE. SENSITIVITY CONCERNING HIS REQUEST FOR EMBASSY ASSISTANCE CENTERS ON FACT THAT  
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ROYALTY TAX IS TREATED DIFFERENTLY THAN OTHER TAXES ON OIL. ROYALTY

RATES ARE SUBJECT OF PRIVATE AGREEMENTS BETWEEN GOV AND EACH OIL COMPANY. THEY ARE NOT PUBLISHED IN ANY FORM AND THEREFORE ARE NOT PUBLIC DOCUMENTS. THE BASING PRICE FOR ROYALTY IS PUBLICLY ANNOUNCED (SEE CARACAS 1221 OF FEB. 7, 1974) BUT NOT THE ROYALTY PERCENTAGE WHICH THE VARIOUS COMPANIES ARE CHARGED. WHILE MOST COMPANIES ARE KNOWN TO PAY 16-2/3 PERCENT, SOME NEWER CONCESSIONAIRES PAY 20-25 PERCENT, AND AT LEAST ONE OF THE SMALL VENEZUELAN-OWNED PRODUCERS IS BELIEVED TO HAVE A CONCESSIONARY RATE.

4. THE EMBASSY CAN FORMALLY REQUEST COPIES OF THE ROYALTY AGREEMENTS FROM THE MINISTRY OF MINES OR COPIES MIGHT BE OBTAINED INFORMALLY FROM COMPANY AND MINISTRY CONTACTS. MR. MONK CALLED A SECOND TIME, JANUARY 23, AND WAS TOLD BY PETATT WHAT HE ALREADY KNEW -- THAT IT WILL BE DIFFICULT, IF NOT IMPOSSIBLE, TO OBTAIN ROYALTY AGREEMENTS.

5. IN VIEW OF NEW ENGLAND CONCERN OVER COST OF OIL IMPORTS AND NEW IMPORT TARIFFS, IT IS EXTREMELY LIKELY THAT VENEZUELAN AND U.S. PARTICIPANTS IN BOSTON SYMPOSIUM MAY BE QUESTIONED SHARPLY ON OIL PRICING POLICY AND, SPECIFICALLY, ON QUESTION OF ROYALTY CHARGES. PURPOSE OF THIS CABLE IS TO ALERT DEPARTMENT TO THIS POSSIBILITY. MCCLINTOCK

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**TAGS:** ENRG, ETRD, VE, ARTHUR D LITTLE CO, (MONK, JAMES)  
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